

Message Text

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TO AMEMBASSY WARSAW

C O N F I D E N T I A L STATE 159907

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TAGS: BEXP, OVIP, PL

SUBJECT: VISIT TO U.S. BY POLISH MINISTER OF MACHINE

--- INDUSTRY

REF: STATE 147342; WARSAW 3494; 3721

1. MEETINGS OF MINISTER OF MACHINE INDUSTRY TADEUSZ WRZASZCZYK IN WASHINGTON ON JUNE 24 CONDUCTED IN VERY CORDIAL ATMOSPHERE. DISCUSSIONS FOCUSED ALMOST EXCLUSIVELY ON PENDING NEGOTIATIONS WITH U.S. FIRMS, DURING WHICH INTEREST OF USG IN HAVING AMERICAN FIRMS PARTICIPATE IN THESE PROJECTS WAS EXPRESSED. WRZASZCZYK SAW ACTING EXECUTIVE DIRECTOR DUNN AND DAVID EVANS OF CIEP, UNDER SECRETARY TABOR AND OTHER COMMERCE OFFICIALS, AND VICE-CHAIRMAN SAUER, DIRECTOR KOBELINSKI, VICE PRESIDENT ALBRIGHT AND OTHERS OF EXIMBANK. EXIMBANK HOSTED DINNER WITH STATE AND COMMERCE PARTICIPATION. LUNCH OFFER BY WESTINGHOUSE DECLINED. WRZASZCZYK OFFERED FOLLOWING INFORMATION AND OPINIONS ON SPECIFIC PROJECTS.

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2. ON PROJECT FOR COLOR TV TUBE PRODUCTION, THEY HAVE RECEIVED A COMPLETE PROPOSAL FROM RCA FOR THE PICTURE TUBE

AND EXPECT CORNING TO PROVIDE A REVISED PROPOSAL ON GLASS MILL WITHIN SEVERAL WEEKS. MENTIONED THAT THEY ARE LOOKING AT PROPOSALS OF TWO JAPANESE COMPANIES SINCE REQUIRED TO OBTAIN 2 OR 3 BIDS, BUT RCA PROPOSAL COMPETITIVE WITH JAPANESE AND ON MUCH HIGHER TECHNICAL LEVEL. IMPLIED THAT RCA IS FRONT-RUNNER. BUY-BACK IS NOT BEING DEMANDED IN THIS CASE BECAUSE OF DEPRESSED STATE AND UNDERUTILIZED CAPACITY OF THIS INDUSTRY IN WEST, BUT WOULD HOPE FOR MARKET COOPERATION OPPORTUNITIES IF MARKETS IMPROVE. TEN TO FIFTEEN YEAR AGREEMENT CONTEMPLATED. TOTAL CONTRACT VALUE OF THE TWO FACILITIES WILL RUN ABOUT 100 MILLION DOLLARS OF WHICH RCA 48 MILLION DOLLARS. PRACTICALLY ALL SUPPLIES WOULD COME FROM U.S. WRZASZCZYK SPOKE OF "EXPLOSIVE" DEMAND FOR COLOR TV IN POLAND, AND POLITICAL SIGNIFICANCE OF EVERY POLISH FAMILY HAVING AN AMERICAN TV SET, AND SAID HE WOULD LIKE TO MOVE THIS DEAL.

3. WRZASZCZYK DESCRIBED DEAL BEING NEGOTIATED WITH GM AS 300 MILLION DOLLARS PLUS PROJECT TO PRODUCE 1.5 TO 2.5 TON CAPACITY VANS IN QUANTITY OF 100,000 PER YEAR OF WHICH 80,000 FOR DOMESTIC AND CEMA USE AND 15-20,000 FOR GM OVERSEAS CORPORATION SALES TO WESTERN EUROPE, NORTH AFRICA, AND MID-EAST. WOULD COMPLEMENT THE BEDFORD-VAUXHALL AND OPEL PRODUCTION OF GM EUROPEAN SUBSIDIARIES, AND "RIVAL RENAULT, MERCEDES, AND PEUGOT" VANS. GM SAID TO BE ONLY COMPANY WITH WHICH THIS PROJECT BEING DISCUSSED. ON TIME-TABLE, WRZASZCZYK STATED AT ONE MEETING THAT CONCEPT AND ANALYSIS WILL BE COMPLETED BY NOVEMBER, AND AT ANOTHER MEETING THAT THEY EXPECT TO HAVE A MUTUALLY AGREED UPON CONCEPT BY THE END OF YEAR; START-UP OF PRODUCTION WOULD BE IN 3 TO 4 YEARS, AND COOPERATION WOULD EXTEND FOR MINIMUM OF 15 YEARS.

ACCORDING TO WRZASZCZYK, THEY ARE INTERESTED IN GM, DESPITE THEIR SUCCESSFUL COOPERATION WITH ITALY'S FIAT AND FRANCE'S BERLIET AND THE INTEREST OF THESE COMPANIES
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IN THE VAN PROJECT, BECAUSE THEY CONSIDER GM A MULTI-BRANCH, DIVERSIFIED COMPANY WITH WHICH EXPANDED COOPERATION TO OTHER MODELS MIGHT BE POSSIBLE IN FUTURE.

4. PICTURE PRESENTED BY MINISTER WRZASZCZYK TO UNDER SECRETARY TABOR ON SWINDELL-DRESSLER'S BID WAS EXTREMELY DEPRESSING. S-D BID ON FORGE SHOP SAID TO BE SEVERAL TENS OF MILLIONS ABOVE THAT OF BRITISH COMPETITOR. WRZASZCZYK SAID HE WOULD BE UNABLE TO DEFEND AWARD N6

S-D THE FORGE CONTRACT BEFORE THE COUNCIL OF MINISTERS AND BANK. BEFORE S-D PRESENTED ITS CORRECTED BID, ITS

PROPOSAL WAS ABOUT 10 PERCENT ABOVE BRITISH AND JAPANESE COMPETITORS, WHILE AFTER CORRECTIONS IT IS 32 MILLION DOLLARS ABOVE. ACCORDING TO WRZASZCZYK, OF THE TWO, FORGE IS PLANNED TO BE LET FIRST; IT IS IN THIS YEAR'S PLAN AND BUDGET. MINISTRY DOESN'T HAVE MONEY APPROPRIATED TO DO BOTH SIMULTANEOUSLY. FOUNDRY TO BE ONE TO ONE-AND-A-HALF YEARS BEHIND FORGE. FORGE PRODUCTS ARE NEEDED AS SOON AS POSSIBLE BECAUSE THEY ARE CURRENTLY IMPORTED. THIS ORDER OF PRIORITY WAS INTRODUCED INTO THE PLAN ON HIS INSISTENCE AND HIS REPUTATION STANDS ON IT.

PULLMAN CHAIRMAN STINGEL ARRANGED BRIEF PRIVATE MEETING WITH WRZASZCZYK, MAZURKIEWICZ, AND SZYSZKOWSKI DURING WHICH HE MADE STRONG BID TO GAIN CONTACT AND MADE TWO NEW PROPOSALS: A) SINCE THEIR FORGE BID IS SO MUCH HIGHER, THEY WOULD BE WILLING TO FOREGO THIS, BUT ARE REALLY INTERESTED IN FOUNDRY PROJECT WHICH IS VALUED AT 110 MILLION DOLLARS. MINISTER APPEARS TO HAVE UNDERSTOOD THIS TO BE SUGGESTION THAT FOUNDRY CONTRACT BE LET FIRST, AND RESPONDED THAT THEY WOULD HAVE TO GO BACK AND ANALYZE WHETHER THEY COULD JUSTIFY LETTING THE FOUNDRY CONTRACT FIRST. THIS WOULD INVOLVE CALCULATING THE COSTS OF FORGE PRODUCTS (CASTINGS) WHICH WOULD HAVE TO BE IMPORTED AS RESULT OF DELAY IN COMPLETION OF FORGE. MAZURKIEWICZ, WHO TOOK HARDER LINE ALL ALONG, POINTED OUT THAT S-D BID ON FOUNDRY WAS ALSO SOMEWHAT HIGHER THAN THAT OF COMPETITORS. STINGEL MADE VERY EFFECTIVE PRESENTATION OF THEIR KOLUSZKI PROJECT WITH PLANT SKETCH COLOR KEYED TO MONTH OF COMPLETION OF VARIOUS PORTIONS. CONFIDENTIAL
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SKETCH SHOWED ALL S-D EQUIPMENT TO BE IN PLACE BY AUGUST 1975, POLISH EQUIPMENT IN SEPTEMBER, AND PLANT OPERATIONAL IN APRIL 1976. HE ALSO POINTED OUT THAT POLES WOULD BE GETTING MORE THAN THEY PAID FOR IN TERMS OF CAPACITY. B) AFTER BRIEF BREAK, STINGEL RECONSIDERED AND SUGGESTED THAT S-D BID ON FORGE WAS NON-COMPARABLE TO OTHER PROJECTS, THAT IT HAD TOO MUCH CAPACITY ENGINEERED INTO IT. HE PROPOSED THAT S-D BE GIVEN 5 TO 6 WEEKS TO GO OVER THEIR PROPOSAL AND TRIM IT. HE OFFERED TO SEND TRILLI AND DAKE TO WARSAW TO GO OVER CONTRACT. WRZASZCZYK AGREED TO STINGEL'S INITIATIVE. MAZURKIEWICZ, HOWEVER, WAS MUCH LESS OPTIMISTIC WHETHER S-D BID COULD BE PARED SUFFICIENTLY AND IN TIME TO STAND A CHANCE.

6. OTHER MATTERS RAISED BY WRZASZCZYK INCLUDED;
A) PROBLEMS CONCERNING EXPORT LICENSES ESPECIALLY FOR

ELECTRONICS PRODUCTS: WRZASZCZYK SAID THEY HAD GOTTEN VERY LITTLE, ONLY MINOR DEALS, BUT HE UNDERSTANDS THAT THIS MATTER REQUIRES TIME, AND THAT THEY WILL WAIT AND

REPEAT THEIR APPLICATIONS AS POSSIBLE. B) GOLF CAR
ANTIDUMPING PROCEDURE: MINISTER NOTED THAT THEY HAD
PERCEIVED A STRONG HELPFUL CLIMATE IN THIS MATTER, AND
THIS WAS AN IMPORTANT ISSUE BECAUSE OF THEIR NEED TO BE
ABLE TO PAY FOR THE CAPITAL GOODS THEY WISH TO PURCHASE
FROM THE U.S. HE REFERRED TO POLISH QUANTITIES AS
MARGINAL ON LARGE AMERICAN MARKET. C) AIRWORTHINESS
AGREEMENT WHICH IS ESSENTIAL FOR THEIR NEGOTIATIONS WITH
AMERICAN AVIATION INDUSTRY. D) WRZASZCZYK MADE A STRONG

BID FOR FAVORABLE EXIMBANK FINANCING, IMPLYING THAT ITS
PARTICIPATION AND TERMS WERE AN IMPORTANT FACTOR IN THE
AWARDING OF CONTRACTS TO AMERICAN FIRMS.

7. WRZASZCZYK EXPRESSED GREAT SATISFACTION WITH HIS U.S.
VISIT. SAID HE AND HIS DELEGATION FELT VERY WELL IN THE
U.S., WERE FASCINATED (ZAFASCINOWANI) BY AMERICAN
INDUSTRY, AND LIKED THE QUALITY OF THE PEOPLE THEY HAD
MET AND THEIR ATTITUDE TOWARD COOPERATION. IN PRIVATE,
WRZASZCZYK SAID THEY HAD VERY MUCH IN COMMON AND FELT
AT EASE WITH THE PEOPLE THEY WERE WORKING WITH IN
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AMERICAN INDUSTRY. THROUGHOUT THE DISCUSSIONS, MINISTER
WRZASZCZYK GAVE VERY MUCH THE IMPRESSION OF THE GOOD
GUY WHO WOULD LIKE VERY MUCH TO AWARD THE CONTRACTS TO
AMERICAN FIRMS, WHILE HIS INVESTMENT DIRECTOR
MAZURKIEWICZ PLAYED THE PART OF THE TOUGH GUY CONCERNED
MOST ABOUT COSTS AND SPECIFICATIONS. KISSINGER

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